**KOIMBI BOYS SECONDARY SCHOOL**

**END-TERM 2 EXAMS 2019**

**FORM 4 BUSINESS STUDIES**

**PAPER 2**

**565 / 2**

**2 1/2 HOURS**

**Name………………………………………………Adm. no……………….**

**Instructions to candidates.**

*1. Write your name and index number in the Spaces provided above*

*2. Sign and write the date of examination in the spaces provided above*

*3. Answer any* ***five*** *questions*

*4. Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.*

*5. Candidates should answer the questions in English.*

1.a) Musa presented a cheque to Equity bank but unfortunately, the bank didn’t cash the cheque. Explain **five** reasons that would have contributed to this situation. (10 marks)

1.b) Outline **five** differences between public corporation and public limited company.

 (10 marks)

2.a ) Using a well labeled diagram, explain the effect of decrease in demand on the equilibrium price and quantity. (10 marks)

2.b)The following information was extracted from the book of Mulwa’s book of account

Stock (1.1.2016 ) 80,000

Stock (31.1.2016) 120,000

Net sales 708,000

Net purchases 640,000

Expenses 8,000

Bank 180,000

Debtors 140,000

Creditors 100,000

Cash 40,000

Bank Overdraft 80,000

Capital 500,000

Required

Calculate :

(i) Working capital (2 marks)

(ii) Current ratio (1 mark)

(iii) Rate of stock turn over (3 marks)

(iv) Mark-up percentage (2 marks)

(v) Return on capital (2 marks)

3.a) Outline **five** characteristics of an efficient tax system. (10 marks)

3.b) ‘Bodaboda’ transport has become very popular in Kenya today. Explain **five** factors that might have contributed to this trend. (10 marks)

4.a) Explain **five** demerits of delocalization (10 marks)

 4.b) Discuss **five** problems encountered in development planning (10 marks)

5.a) Differentiate between direct production and indirect production. (10 marks)

5.b) Discuss **five** types of unemployment. (10 marks)

6.a) Explain **five** factors that an insurance company may consider in determining the amount of premium to charge in a life assurance policy. (10 marks)

6.b) Mr. Faulu a sole trader had the following transactions starting 1st January 2016.

Jan 1 Balance b/d cash sh10,000 and bank sh 30,000.

Jan 5 Bought goods for sale by cheque sh 8,000.

Jan 7 Sold goods worth 3,000 on credit.

Jan 8 Paid water sh 300 cash.

Jan 12 Received sh 500 cash from Mr. Odera.

Jan 14 Deposited sh 2,000 in the bank from the office.

Jan 16 Received by cheque sh 4,000 from Mapema.

Jan 20 Withdrew sh 15,000 from the bank for office use.

Jan 26 Received payment of sh 15,00 by cheque from Jaribu enterprises after allowing discount of sh 200.

Jan 28 Paid rent sh 6,000 cash.

Jan 30 Paid wages cash sh 3,000

Jan 31 Settled Tene traders account of sh 5,000 and received a 5 % cash discount.

Required:-

Prepare a three column cash book and balance it off at end of January. (10 marks)

 *THE END. ALL THE BEST.*